OUTSOURCE
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THE SOURCE

New GM Electric-Truck Business Targets Delivery Market

Division dubbed BrightDrop will sell electric trucks and services to package-delivery operators; FedEx is first customer By Ben Foldy and Mike Colias, WSJ.com, Jan. 12, 2021

General Motors Co. is launching a new electric-truck business geared toward delivery services, the latest in the company's efforts to commercialize battery technology it is developing in-house. Following the news, shares of GM hit their highest mark since the stock's initial public offering in 2010. The Detroit auto maker said Tuesday it would begin making electric delivery trucks and motorized dollies as part of a division, called BrightDrop, that aims to capitalize on the now-booming market for e-commerce and home delivery.

The new division plans to roll out later this year an electric truck designed specifically for commercial purposes; named the EV600, it will offer a 250-mile range on a single charge. The move pits GM against Ford Motor Co. and its recently introduced electric delivery van, as well as electric-vehicle startups such as Rivian Automotive, which is making plug-in vans for Amazon.com Inc. FedEx Corp. is expected to be the first customer for the EV600, with the package-delivery company agreeing to purchase 500 of the new electric trucks for delivery later this year, GM said. BrightDrop also plans to launch in the next few months a new electric dolly—a small four-wheeled dolly for ferrying packages around warehouses and from trucks to front doors. GM shares gained 6.3% Tuesday to close at $47.82, a record high for the stock since returning to public markets following its 2009 bankruptcy. Mary Barra, GM's chief executive, has pinned her growth strategy on electric cars, earmarking $27 billion to develop plug-in and driverless vehicles by mid-decade. She also wants to add services around electric-vehicle technology, such as BrightDrop and a driverless-car business through its subsidiary, Cruise. During a video appearance at the CES tech gathering on Tuesday, Ms. Barra said the service aims to help commercial-delivery companies work more efficiently and sustainably, as they contend with surging e-commerce demand and government pressure to create cleaner vehicle fleets. The BrightDrop-branded trucks will be powered by GM's new Ultium battery line. The company is building a $2.3 billion battery factory in Ohio with South Korea's LG Chem Ltd. to produce battery cells that GM executives say will gradually bring down the cost of electric vehicles. GM executives say the market for package delivery should only grow in coming years, citing a forecast by the World Economic Forum that demand for delivery vehicles in large cities could increase 36% by 2030. GM plans to ratchet up its electric-vehicle offerings this year, starting with a Hummer pickup truck that runs solely on battery power. The company has 30 new plug-in models planned by 2025 and expects 40% of its U.S. lineup to be fully electric by that year.

Other car companies are making a push into the commercial-delivery market with electric offerings that executives say will appeal to business customers. Delivery trucks and vans typically travel along dedicated routes and usually park in the same place overnight, which makes it easier to figure out where to install charging stations. Electric vehicles also require less maintenance compared with gasoline-powered models, making them advantageous for fleet operators who want to reduce costs, industry executives say. Ford, under new Chief Executive Jim Farley, has also made expanding its commercial business a priority and plans to make electric models like the new plug-in Transit, a model popular with plumbers and other workers, a centerpiece for that effort. The Dearborn, Mich.-based auto maker is expected to release an electric F-150 pickup truck next year that executives say will target fleet buyers. Michigan-based startup Rivian has a contract to build 100,000 electric vans for Amazon by the end of the decade. Amazon is also an investor in Rivian.

BrightDrop is the latest business line to be offered by GM, which is trying to leverage its expertise in software and services into new ventures. Recently, it introduced an insurance business through its OnStar telematics system. GM said BrightDrop will also provide the back-end software services for commercial customers looking to better manage their vehicle fleets.


-OUTSOURCE-
THE FREIGHT MANAGEMENT COMPANY

Trucker YRC Got 95% of All Covid-19 National Security Loan Funding

The financially ailing freight carrier for military agencies was one of only 11 recipients of funds aimed at supporting defense contractors during the pandemic

By Jennifer Smith, WSJ, 1/14/21

YRC Worldwide Inc., a financially troubled trucker that moves goods for the Defense Department, accounted for almost all of the federal coronavirus relief funding to businesses deemed crucial to national security. The Overland Park, Kan., company was one of 11 businesses that received loans through the $17 billion program for that sector, with the $700 million that went to the trucker making up 95% of the roughly $736 million in outstanding loans. The national security loan program was initially envisioned as a way to support big defense contractors through a provision of the $2.2 trillion Cares Act relief package, but there was less demand for the support than expected and most of the backing ended up going to smaller firms and startups.

YRC, one of the largest operators in the less-than-truckload sector in which carriers handle loads for multiple shippers on the same truck, has drawn down $551.3 million, or about 79% of its loan, according to a Jan. 4 report by the Treasury Department. The government agreed to loan the funds in July in exchange for a 29.6% equity stake in the company. The cash infusion has helped shore up YRC's debt-troubled finances, allowing the company to pay off millions of dollars in health, pension and other obligations and refresh its aging vehicle fleet. YRC serves large industrial and retail customers like Walmart Inc. and moves an estimated 68% of the Defense Department's less-than-truckload shipments. The company has struggled in recent years under a heavy debt load, and was trying to turn the business around when the coronavirus pandemic hit. A bipartisan panel of legislators has questioned the certification process for the YRC loan and pressed the Treasury on how the trucker was able to qualify for government aid despite its precarious financial position before the pandemic. Some other Republican and Democratic lawmakers backed YRC's loan request, sending letters of support in April to Treasury Secretary Steven Mnuchin. The Congressional Oversight Commission said in a Dec. 31 report that many other companies also provide less-than-truckload shipping, and that the Pentagon said it hadn't asked whether other LTL providers could step in if YRC shut down. The report also said a $400 million tranche of the YRC loan earmarked for the purchase of new trucks and trailers exceeded the scope of the Cares Act funding, as it isn't being used to address losses stemming from the impact of Covid-19.

YRC's loan agreement "complies with the Cares Act and all additional requirements established by Treasury," company spokeswoman Heather Nauert said. "The capacity that YRC brings to the supply chain at this time is absolutely crucial to our nation's economy and pandemic recovery efforts." Ms. Nauert said YRC's armed forces work is a highly specialized service, with trained and credentialed drivers, that allows the company's trucks to access military facilities quickly and efficiently through a network of more than 300 terminals across the U.S. "Transporting goods for the federal government is highly complex," she said. "Not all carriers can do it." Defense Department spokeswoman Jessica Maxwell said YRC delivers general cargo and hazardous materials, and that the company's "status as 'critical to national security' is a function of its providing these services to DoD; it is not necessary that it be a unique provider of such services."

The Defense Department used the same criteria when reviewing companies for Treasury loans that it used for Defense Production Act funding awards, Ms. Maxwell said. She said the Treasury Department made the "final determinations and decisions" to grant these loans. The Treasury Department declined to comment for this article. Mr. Mnuchin told a Congressional Oversight Commission hearing in December that taxpayers will profit from the loan and that the Treasury made the national security decision based on a recommendation from then-Defense Secretary Mark Esper. Although the YRC loan was risky, Mr. Mnuchin said, "It saved lots and lots and lots of jobs."

Cargo thieves stepping up activity during pandemic

by Today's Trucking January 14, 2021

Cargo thieves are seizing on the Covid-19 pandemic and disrupted supply chains to ramp up their efforts, according to 2020 data from CargoNet. CargoNet reported 1,676 supply chain risk events in the U.S. and Canada in 2020, a 16% increase over 2019. Of those, 48% involved the theft of at least one heavy commercial vehicle, such as a semi-tractor, trailer, or intermodal container. Sixty-one per cent involved the theft of cargo or attempted theft of cargo, with the average theft valued at US$166,334, a $27,045 increase from the year before. CargoNet attributed this to thefts targeting higher-value loads such as pharmaceuticals and medical supplies related to the Covid pandemic.

Texas saw theft event surge 93% year-over-year.

Truck stops and retailer parking lots were the most common places for thefts to occur.

Household commodities were the most common stolen freight of 2020, with major appliances, household paper goods, cleaning supplies and furniture targeted.

Food and beverage commodities were the second most targeted category. Theft of pharmaceutical products and medical supplies increased, with thieves targeting loads of personal protective equipment and over-the-counter medications. One theft involved a truckload of ventilators.

LTL carriers bullish on demand, pricing dynamics for 2021

January 6, 2021 · By John D. Schulz, Supply Chain 24/7

Top less-than-truckload (LTL) executives and analysts are predicting a bullish year for the $46 billion sector in 2021. Despite disruptions from the coronavirus and resulting changes in demand levels from their customers, leading LTL companies are extracting rate increases in the mid-to-high single digits, according to carriers and analysts. "This is a positive freight environment," Chuck Hammel, president of Pitt Ohio, the nation's 18th-largest LTL carrier, told LM. "LTL companies are all raising rates." Likewise, Darren Hawkins, CEO of Yellow Transportation, called LTL pricing "strong," and said carriers were taking full advantage to recapitalize their fleets. In Yellow's case, it is helped by a $700 million influx of cash as a result of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Satish Jindel, principal of SJ Consulting, which closely tracks the LTL sector, told LM, "It's a wonderful time to be in the LTL sector."

There are several reasons. One is pricing power. Unlike the splintered truckload sector where the leading carrier, Knight-Swift, barely controls 1 percent of the TL market, there is concentration atop the LTL marketplace. The top 25 LTL carriers account for nearly 90 percent of the marketplace. In fact, Yellow controls 10% all by itself—through long-haul carrier Yellow Freight and its three regional subsidiaries, New Penn, Holland, and Reddaway. The bigger question for LTL executives is will it last? In past boom cycles, one or two large LTL carriers would exhibit poor pricing discipline. In 2008, during the post-Great Recession downturn, a few large carriers sensed Yellow was on the brink of bankruptcy and initiated a pricing war with Yellow. Now, with Yellow on firmer financial footing thanks to the $700 million influx of cash, no one is holding their breath any longer. Yellow is using some of that $700 million to replace some of its older trucks. "They're only going to be replacing trucks, not adding to their fleet," Jindel explained. "They have such an outdated fleet. They have been driving around with older trucks than anyone. Why would they expand. Do they need to expand?"

The answers are no and no. Expansion in truckload can be justified because the carrier only needs a driver and a truck. Carriers need three things to expand in LTL – drivers, trucks, and terminals. "The latter are not easy to come by," Jindel said, noting that environmental and zoning regulations often make terminal expansion and purchase a costly proposition. Such conditions effectively mean there is a cap on capacity in the LTL sector. "Pricing will be good to very good," Jindel predicted for 2021. "I expect a mid to high single digit rate increase."

So, even with declines in shipment volumes from COVID-related closures, carriers have adapted their networks to achieve maximum efficiencies. "Those closures are not as strict this year," Jindel said. "Shipment counts should stay fairly robust. That should mean good performance for carriers." That would be a continuation from last year. Some publicly held carriers enjoyed boom years in 2020, according to their stock prices. Saia's stock was up 90% last year. Similarly, Old Dominion Freight Line was up 55% and ArcBest, parent of ABF Freight System, rose 45%. FedEx, UPS, U.S. Postal Service, Amazon Logistics and regional carriers such as LaserShip, LSO and OnTrac collectively set an industry record of delivering over 3 billion parcels during the past peak season. For parcels scheduled for delivery between Dec. 20 and 26, according to ShipMatrix, FedEx was at 96.5%, UPS at 97.6% and USPS at 94.7%. While this performance was better than prior weeks, handling such huge spikes in volume with temporary methods (that includes deliveries made on Christmas Day) still resulted in over 2 million parcels not delivered by Christmas.

Such volume spikes have had a tangential benefit to the LTL carriers, Jindel said. But he said the bigger factor helping LTL carriers was shipments from Amazon's 155 fulfillment centers. "The more centers they have, less quantity they need on hand in inventory and that converts into more LTL shipments," Jindel said. "The LTLs are getting significant impact and opportunity to participate in the retail sector evolution—or revolution," Jindel said. "The LTLs used to ignore retail. They got rid of that old way of thinking. Retail is going to be a bigger sector of LTL. Those who don't pay attention will fight over smaller pieces of the LTL market. You can't operate in the retail sector with the same attitude as industrial freight." Retail shipments can be different. Often they are lighter and cube out before weighing out in 80,000-pound trucks. So LTL must raise rates to handle that. Most deliveries are not made to docks, but inside to retail stores. That's another adjustment for carriers. "Customers aren't going to change, you have to change," Jindel advised carriers.

Jindel said the only way the current pricing environment could lose momentum would be if "some large LTL carrier loses its mind and lowers price to gain more freight to lose more money. I can't see any of LTL carriers being that unwise." How long will this environment last? "I don't see any end in sight," Pitt Ohio's Hammel said.

TRIVIA QUESTIONS

1) **Which President had to escape his inauguration party through a window due to rowdiness?**
   A. James Polk **B.** Andrew Jackson **C.** Grover Cleveland **D.** Bill Clinton

2) **Which President had the coldest Inaugural Day?**
   A. Ulysses S. Grant **B.** Jimmy Carter **C.** Woodrow Wilson **D.** Dwight Eisenhower

3) **Who was the only President to administer the Oath of Office to another President?**
   A. Warren Harding **B.** Teddy Roosevelt **C.** Howard Taft **D.** Harry Truman

4) **In what year did January 20th become the fixed date of Inauguration Day?**
   A. 1892 **B.** 1933 **C.** 1961 **D.** 1925

5) **In what year was The First Lady given a task ...holding the bible while her husband is sworn in?**
   A. 1941 **B.** 1809 **C.** 1965 **D.** 1969

6) **Which President's Inauguration ceremony was the first held outdoors?**
   A. James Polk **B.** Benjamin Harrison **C.** John Q. Adams **D.** James Monroe

Answers Later In The Newsletter

FUEL REPORT

U.S. On-Highway Diesel Fuel Prices* (dollars per gallon) http://www.eia.gov/petroleum/gasdiesel/

	12/28/20	**1/4/21**	**1/11/21**	**Change from week ago**	**Change from year ago**
U.S. National Average	$2.635	$2.640	$2.670	0.030	-0.394

Oil Slumps on Dollar Strength, Cooling Consumer Sentiment

By: Andres Guerra Luz | Bloomberg News | January 15, 2021

Oil slid by the most in three weeks as a stronger dollar and weak U.S. economic data stoked concerns over an economic rebound. Futures in New York tumbled 2.3% on Jan. 15 after a rally in oil earlier in the week pushed the benchmark into overbought territory. The U.S. dollar strengthened, reducing the appeal of commodities priced in the currency. U.S. consumer sentiment cooled more than forecast in January, and other economic data such as sluggish retail sales and producer prices also portray the obstacles still facing the country as it emerges from the pandemic. Meanwhile, President-elect Joe Biden said he will ask Congress for $1.9 trillion to fund immediate relief for the U.S. economy that has been pummeled by the pandemic. But the large price tag and inclusion of initiatives opposed by many Republicans set up the aid package for a drawn out legislative battle. "We've had a lot of strength in a number of different markets, and now we're getting a pullback," said Bill O'Grady, executive vice president at Confluence Investment Management in St. Louis. Ultimately, oil markets need "driving to go up. If people have money and no place to spend it, it doesn't make any difference." Despite the pullback in oil futures, vaccine breakthroughs and Saudi Arabia's pledge earlier this month to deepen output cuts are expected to support prices. JPMorgan Chase & Co. said a "nasty deficit" could emerge in the oil market later this year.

Meanwhile, technical indicators had been flashing warnings signs all week. The 14-day Relative Strength Index for U.S. and global benchmark crude futures traded above 70 this week in a sign they were overbought, though both slipped under that level Jan. 15. A "short-term pullback" is likely in store for "oil prices, given the recent loss of support from a number of key factors," Ryan Fitzmaurice, commodities strategist at Rabobank, said in a note. "With that said, the dips may be shallow, as investor appetite for commodities appears to be increasing rapidly following the recent bullish oil calls and talk of a commodity super-cycle from some of the larger and more prominent U.S. investment banks." The market's structure also has softened. Brent's prompt time spread dipped back into contango Jan. 15, a bearish structure where nearby prices are cheaper than later-dated ones. This week has seen the annual commodity index rebalancing take place — a move that was expected to see as much as $9 billion flow into the oil market. Since it began Jan. 8, there's been a surge in so-called trading-at-settlement volumes, an instrument often used by participants with index exposure. For Brent, average volumes over the past five days have reached a record.

Port Delays Leave Cargo Ships Stranded off U.S. Pacific Gateways

By Costas Paris, WSJ, Jan. 13, 2021

More than 40 cargo ships with tens of thousands of containers aboard were lined up waiting to get into the ports of Los Angeles and Long Beach this week in a new sign of unyielding backlogs that are hampering U.S. importers at the country's main trade gateways. A surge in shipping volumes that began in late summer and rose during the holiday season has continued into the New Year as retailers and manufacturers try to rebuild inventories that were depleted at the onset of the Covid-19 pandemic. The neighboring Southern California ports, which together handle more than a third of all containers coming into the U.S., have seen record numbers of boxes even as dockworkers have struggled to cope with the rising coronavirus cases in the state. "Huge numbers of medical supplies keep on coming along with furniture, appliances, construction material, landscaping, hot tubs and anything related to the outdoors," said Mario Cordero, executive director at the Port of Long Beach. "The Americans that have not been impacted by Covid will continue to spend and the surge could go on through late spring."

The backlogs have left many retailers waiting weeks for goods stuck on ships at sea or at the port, hitting small and medium-size companies with lean operations particularly hard. "There's been all kinds of supply-chain problems affecting us directly for the past year," said Abbie Durkin, the owner of Palmer & Purchase women's clothing and accessories shop in Rye, N.Y. "We had a popular sweater that we had pre-sold which was coming in from a vendor in Los Angeles who imported from China and with the bottlenecks it never came through. …It was a big hit." Retailer Big Lots Inc. said in an earnings conference call Wednesday that backlogs and added storage charges for imported containers delayed at ports are providing "significant challenges" to the company's profit margins.

The peak season for liner ships usually starts in late August when Western retailers start stocking up for the year-end and eases in November before coming to a near standstill at the Lunar New Year holiday in February, when China's factories close for about 10 days. But this year the import surge started in early summer, stretching supply chains as China's export engine heated up and Western retailers scrambled to restock following coronavirus lockdowns in the spring. Los Angeles and Long Beach handled 909,021 inbound containers in October, more than double the number the ports saw in March, at the outset of the pandemic. The Pacific Merchant Shipping Association, which represents ship operators that serve the West Coast, said about a quarter of all inbound containers waited more than five days on docks to be delivered to customers in October and November, compared with between 2% and 4% in the first half of 2020.

"We are all stretched very thin, whether it's warehouse workers, truck drivers, or longshore workers," said Gene Seroka, executive director at the Port of Los Angeles. "Storage facilities are full and have staffing issues, because of social distancing and this extends to the trucking community and the docks." Employers at port terminals are undertaking strenuous testing for Covid, officials said, and taking an hour's break between daily shifts to disinfect equipment. At the same time, rising numbers of workers are calling in sick. "We have serious concerns with the positive numbers we see at the waterfront," said the Long Beach port's Mr. Cordero. "There were two deaths alone last week in the San Pedro complex. We are concerned about the labor that will be available going forward because of Covid."

The Marine Exchange of Southern California, which monitors vessel movements, said 48 vessels were waiting to berth at both ports with 33 being container ships on Monday. Docking delays can stretch to more than five days from an average maximum of two days, with more than 20 ships waiting to dock at each port while there is usually none. The flotilla of cargo ships offshore now rivals the fleet parked off California during labor disruptions in 2014, when backups from Seattle down to Long Beach rattled the U.S. economy. The shipping industry is bracing for the surge to continue even through the Lunar New Year next month as China tries to maintain momentum in its recovering economy. "This is not a typical Chinese New Year because demand is still crazy," a broker in Singapore said.

The National Retail Federation said in a statement last week that it expects the import surge to continue this year amid shortages of shipping capacity and equipment, including chassis and empty containers. Port officials also see no relief on the horizon. "Expected ship landings in L.A. until the first week of March will be very strong and upwards year on year," said Mr. Seroka. "We are in a pandemic buying surge."

Transportation Nominee Buttigieg Vows to Turn Slogan Into Reality

Eugene Mulero | Senior Reporter Transport Topics | January 19, 2021

Build back better does have a ring to it. The alliterative slogan worked brilliantly for President-elect Joe Biden, whose inauguration takes place at the U.S. Capitol on Jan. 20. Pete Buttigieg, Biden's choice to lead the U.S. Department of Transportation, has committed to turn the slogan into reality. The secretary-designate, scheduled to appear before a Senate Committee on Jan. 21, has listed plenty of programs and systems in need of rebuilding back, better: Freight corridors on land and sea merit upgrades to enhance the movement of goods across the country. Features at airports, bridges, tunnels and ports must accommodate new forms of technology. Transit requires impressive investments to further facilitate the movement of commuters and students during and after the coronavirus pandemic (Biden proposed $20 billion for the mode in a new COVID-19 relief package).

Echoing Biden's sentiment, Buttigieg affirmed that the time has arrived for mobility grids' designs to respond to climate change. The frequency of severe weather events are hindering coastal roadways, structures and rail. "This administration can deliver policies and resources in transportation that will create jobs, rise to the climate challenge and equitably serve all Americans — all while continuing to ensure the safety of travelers and workers alike," the nominee said last month. "America has given President-elect Biden a mandate to build back better, and Step 1 in building back better, literally, is to build. The U.S. should lead the way — and under this administration, I know it will."

Modernizing every aspect of the nation's transportation networks necessitates engagement from users, as well as operators. To help with realizing the administration's infrastructure wish list, Buttigieg is seeking input from stakeholders. Thus far, their response has been promising. "Rebuilding our nation's infrastructure is not only one of the fastest and most direct ways to create new jobs and spur economic growth now, but also it will sustain our modern economy for the long term," U.S. Chamber of Commerce CEO Tom Donohue said.

The chamber is leading a coalition calling on federal lawmakers to approve a massive infrastructure bill prior to July 4. If it succeeds, it could mean less time stuck in traffic.

Senate flip buoys NJ-NY tunnel backers who hope Schumer delivers

By: Keith Laing | AJOT | Jan 08 2021

The elevation of New York Senator Chuck Schumer to majority leader of the U.S. Senate has backers of the proposed Gateway rail tunnel to link New York and New Jersey hoping it's back on track. Schumer has long been a supporter of the $11 billion project, which has languished amid feuding between President Donald Trump and Democratic governors in the two states. Schumer said the tunnel is "a top transportation priority for New York" during a virtual meeting with President-elect Joe Biden's Transportation Secretary nominee Pete Buttigieg on Dec. 30. "We must get that going for the whole Northeast and I will be talking to the mayor on that as well," Schumer said.

The victory of a pair of Democrats in runoff elections to represent Georgia in the Senate this week means Schumer, the Democratic leader of the chamber, will take over control of its agenda from current Majority Leader Mitch McConnell. Democrats will formally have the majority once Kamala Harris is sworn in as vice president on Jan. 20 and the elections of incoming Senators Jon Ossoff and Raphael Warnock of Georgia are certified and they are sworn in.

The tunnel would carry Amtrak and New Jersey Transit commuter trains under the Hudson River as part of the Gateway Program. Amtrak says it will allow for twice as many trains to run under the river, including those that are part of its Northeast Corridor service that connects Boston, New York and Washington. Biden, whose commuting between Delaware and Washington aboard Amtrak as a senator became part of his biography, is likely to put his weight behind the new tunnel.

Amtrak Chief Executive Bill Flynn said in a statement: "Amtrak looks forward to working with President-elect Biden and the new Congress to expand service nationwide and improve reliability, safety and performance through our critical infrastructure and fleet projects." Jeff Davis, a senior fellow with the Eno Center for Transportation, said the Trump administration has blocked federal funding that has been previously approved by Congress. "Democrats taking the Senate means that it is much less likely that Budget Control Act caps on annual appropriations, which under current law expire in a few months, will be renewed," Davis continued. "And no more caps on appropriations would make it much more likely that the appropriations committees would be able to find $50 million plus per year for ten years to pay for the tunnel project, once a grant agreement is negotiated and signed."

Stephen Sigmund, a spokesman for Gateway Program Development Corp., said in an email: "President-elect Biden has prioritized infrastructure and the Hudson Tunnel project specifically, and we look forward to working with his administration and Congress to make the project a reality."

Representatives of Schumer and Biden didn't respond to a request for comment on the project. But Biden pledged on his campaign website to spark "the second great railroad revolution." Greg Regan, Secretary-Treasurer of the AFL-CIO's Transportation Trades Department, predicted there would be a sea-change in infrastructure debates with Democratic control of Washington. "One of the most frustrating things about the last four years is there's been a lot of talk about building stuff, infrastructure and going big, and when it came to the actual work of moving big infrastructure projects, Gateway is certainly one of them, the DOT stymied, stunted or ignored them," he said. Amtrak and New Jersey Transit's sole link between New Jersey and New York is currently a tunnel that is more than a century old and was damaged by Hurricane Sandy.

Press Release **January 15, 2021**

ATA Pleased by Ninth Circuit Ruling Upholding Meal and Rest Break Preemption

The unanimous decision confirms FMCSA's authority to review state commercial vehicle rules.

Arlington, Virginia – Today, American Trucking Associations hailed a decision by the United States Court of Appeals for the Ninth Circuit upholding the federal preemption of the state of California's meal and rest break rules as they apply to truck drivers subject to federal hours-of-service regulations. "The Court's ruling is a victory for common sense over bureaucracy and the plaintiffs bar," said ATA President and CEO Chris Spear. "When the Department of Transportation preempted California's rules, it was a victory for highway safety, ensuring that there is one uniform standard for trucking regulations. By upholding DOT's authority to be the sole regulator of interstate trucking, the Ninth Circuit is preventing states and trial lawyers from creating a costly and inefficient patchwork of competing rules."

In 2018, after bipartisan efforts to enact a legislative fix failed, ATA petitioned the U.S. Department of Transportation to preempt California's meal and rest break rule, preventing them from being enforced against interstate truck drivers, noting the rules would force those drivers to comply with two competing sets of hours-of-service rules. Today's unanimous ruling by the Ninth Circuit found that not only does the federal government have the authority to review and preempt state safety rules, but the three-judge panel agreed with the DOT's conclusion that "federal regulations adequately and more appropriately balanced the competing interests between safety and economic burden," than allowing states to impose a patchwork of competing regulations. "We hope this ruling sends a strong message to other states that they are not allowed to impose additional regulatory burdens on interstate commerce," Spear said. "We thank DOT and the Court for upholding the principle that federal regulatory primacy is critical for maintaining safe and efficient transportation."

Answers to Trivia

Press Release **January 9, 2021**

ATA Congratulates Marty Walsh on Nomination to be Labor Secretary

Arlington, Virginia – Today, American Trucking Associations President and CEO Chris Spear congratulated Boston Mayor Marty Walsh following reports that President-Elect Biden intends to nominate him to be Secretary of the U.S. Department of Labor:

"Mayor Walsh has a deep understanding of labor issues, and his experience as mayor of a major city – and work within the building trades - will be incredibly valuable as the country addresses the need to build a 21st Century economy and infrastructure," Spear said. "The professional drivers, mechanics, dock workers, dispatchers – the millions of individuals who make up the workforce of our industry - are the critical resource that powers trucking and our economy.

"On behalf of the trucking industry, I want to congratulate Mayor Walsh on his nomination at this critical time in our history to lead the Labor Department. We look forward to working with him to keep Americans working and our economy moving."

Commentary: Taxation May Be Global Shipping's Upcoming Game Changer

By Olaf Merk, WSJ, Jan. 17, 2021

The Organization for Economic Cooperation and Development recently released a blueprint for an internationally-coordinated minimum tax for multinational enterprises, and aims to reach a global agreement on this in 2021. It is not certain that any agreement would cover global shipping. If it does, however, the plan would affect longstanding preferential tax treatment that has become one of the financial foundations of maritime business and reach across the international freight sector. The proposal for a minimum tax is an attempt to address the issue of tax avoidance. The practice, in which multinational companies take advantage of tax havens to lower their taxes while their business operates in another country, is known in bureaucratic terms as base erosion and profit shifting. The OECD estimates the practice costs countries between $100 billion and $240 billion in lost revenue, or the equivalent of 4% to 10% of the corporate tax revenue globally.

The OECD plan aims to take away the tax incentives by making it possible for tax authorities in the places where the multinational is headquartered to impose a tax to make up for the avoidance through a tax haven. This would in essence create a global minimum tax. The current proposal leaves it open if the global minimum tax also applies to the shipping sector. Shipping lobbyists have lobbied for a carve-out and have been at least partially successful, as some countries have supported their case. Some countries have argued against a special exception, however.

Subjecting shipping to a global minimum tax would reverse decades of tax avoidance by the sector. Governments have supported the practice by allowing their shipowners to register their vessels in tax havens. They then sought to recoup lost revenue through measures such as taxes on cargo volumes carried on ships, called a tonnage tax, that are generally very favorable to shipping companies. As a result, many shipping companies pay no corporate income tax. On average, the effective corporate income-tax rate is 6% for bulk transport, 3% for the tanker sector and 0% for cruise shipping companies. That is well below the average corporate income-tax rate for other parts of the freight transport sector. The average rates for freight forwarders, for instance, is 27%. A minimum tax rate of 12.5% of earnings would bring in an additional $2.5 billion a year of tax revenues from the shipping sector alone. Most of these additional tax revenues would likely flow to states in Europe and Asia.

Part of this would translate into lower profits for shipping companies, and part would be transferred to customers and result in higher maritime supply-chain costs. As shipping costs represent a very small part of the import value of most goods, however, the effects on the broader commercial sector that uses maritime trade would likely be marginal. But the effects on freight transport as a whole could be significant. Various shipping companies are active in other parts of the freight transport chain: they operate port terminals, own trucking companies and act as freight forwarders. Regulation in various countries has stimulated this vertical integration. A 2019 International Transport Forum report on maritime subsidies noted the European Commission approved several tonnage tax schemes in member countries that allowed shipping companies to bring the revenues of their terminal, forwarding and even trucking operations partly under the tonnage tax. In other words, the non-shipping activities from these firms could benefit from the very favorable tonnage tax scheme.

Recent research shows that port terminal operators that are part of a larger shipping group have an effective tax rate of 14% while independent, nonintegrated terminal operators have an effective tax rate of 21%. The market share of terminal operators that are part of shipping groups has doubled over the last decade and stands now at around 40%. Applying a global minimum tax rate to the shipping industry would help resolve this competitive distortion and could stop the trend toward vertical integration in maritime logistics. It would also change the institutional landscape for shipping.

Currently, most ships are registered through international registries, also called flags of convenience. The convenience here is for shipowners, as they guarantee no corporate taxes and limited requirements related to labor or transparency. But this structure is problematic for the enforcement of global shipping regulations as it depends to a large extent on the oversight of a small number of states that are favored registration locations. The largest flag states are Panama, Marshall Islands and Liberia. These flag states carry large leverage within the International Maritime Organization, the arm of the United Nations that is shipping's global regulator, as they pay the lion's share of its contributions. Applying a global minimum tax to the shipping sector would likely reduce the importance of these flags of convenience. This could also rebalance power within the IMO, with the leverage on decision-making and implementation likely to shift to trading and ship-owning nations with stronger capacity to enforce regulations.